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SUBJECT: JAPANESE MORNING PRESS HIGHLIGHTS 04/12/07

- 1) Top headlines
- 2) Editorials
- 3) Prime Minister's daily schedule

Visit of Chinese Premier Wen Jiabao:

- 4) Abe, Wen agree to strengthen economic ties, speed up strategic mutually-beneficial relationship, focusing on energy, environmental protection
- 5) Talks between Prime Minister Abe, Premier Wen avoid historical issue
- 6) China agrees to resume imports of Japanese rice
- 7) Gist of conversation between Abe, Wen

8) WWII comfort-station owner in Indonesia, later enshrined at Yasukuni, was "ordered by Japanese military" to set up facility: document

Defense and security affairs:

- 9) PACOM Commander Adm. Keating, Defense Minister Kyuma agree to cooperate in promoting USFJ realignment plan
- 10) Lower House ready to adopt USFJ realignment legislation
- 11) Japan, US, Australia to hold bureau director-general-level talks today on security affairs

Political issues:

- 12) National referendum bill on constitutional amendment process to be adopted by Lower House committee today over opposition 's objections
- 13) Minshuto (Democratic Party of Japan) head Ozawa avoiding

debating Abe in Diet, focusing instead on campaign stumping for Upper House election

14) More faked records of political expenses uncovered at Minshuto lawmaker Nakai's office

15) Another irregularity for Agricultural Minister Matsuoka involving nine years of suspicious entertainment expenses

16) Japan, US begin study of possible EPA

17) Finance Ministry plans restrictions on foreign company affiliates forming triangular mergers in Japan, particularly the forming of "paper companies"

Articles:

1) TOP HEADLINES

Asahi, Mainichi, Yomiuri, Nihon Keizai, Sankei and Tokyo Shimbun: Abe, Wen agree on building "strategic, reciprocal relations" and boosting bilateral economic relations with emphasis on environment, energy; Specific plans for joint gas development this fall; Abe to visit China later this year

Akahata:

National reformist council announces that 54 renowned figures are in favor of thorough discussion on national referendum legislation and protecting Article 9

2) EDITORIALS

Asahi:

- (1) Japan-China summit: Reciprocal visits needed
- (2) Kanemi oil symptoms: Squarely address question of dioxin

TOKYO 00001605 002 OF 011

Mainichi:

- (1) Regular summit talks essential for Japan and China
- (2) North Korea must keep its promises

Yomiuri:

- (1) Don't let political issues hinder Japan-China ties
- (2) Will envisioned human resource bank really work?

Nihon Keizai:

- (1) Tokyo, Beijing must make greater efforts to melt the ice

Sankei:

- (1) Japan-China summit: Clear reciprocal path essential
- (2) Pressure on North Korea necessary for dialogue

Tokyo Shimbun:

- (1) Six-party talks must not create problems for future
- (2) G7: Greater risk awareness called for

Akahata:

- (1) Danger of state-controlled broadcasting

3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, April 11

NIHON KEIZAI (Page 2) (Full)
April 12, 2007

09:27

Met at Kantei with Foreign Ministry Asian and Oceanian Affairs Bureau Chief Sasae, joined by Chief Cabinet Secretary Shiozaki.

10:40

Met with Special Advisor Nemoto, followed by Lower House member Tokuichiro Tamazawa.

11:22

Attended groundbreaking ceremony for redevelopment of the Otemachi 2-chome district at Nippon Keidanren Hall. Met later with Tokyo Gov.

Ishihara.

12:26

Met at Kantei with Shiozaki.

14:13

Met with Deputy Chief Cabinet Secretary Matoba.

16:02

Cabinet Intelligence Director Mitani.

17:15

Welcomed Chinese Premier Wen. Held welcoming ceremony for Wen and a meeting with him.

19:18

Attended signing ceremony for joint press statement.

19:52

Hosted dinner party for Wen.

TOKYO 00001605 003 OF 011

22:03

Returned to his official residence.

4) Abe, Wen agree on boosting Japan-China economic cooperation focusing on environment, energy; Greater efforts for a strategic, reciprocal relationship affirmed

NIHON KEIZAI (Top play) (Excerpts)

April 12, 2007

Prime Minister Shinzo Abe met yesterday with visiting Chinese Premier Wen Jiabao at his official residence for about one hour and 40 minutes. The two leaders agreed to establish, among other things, a Japan-China economic ministerial conference to realize "strategic, reciprocal relations" between the two countries centering on the environmental and energy areas, as was agreed upon last October between Abe and Chinese President Hu Jintao. They also affirmed close cooperation on the North Korean nuclear and abduction issues. Abe officially expressed his intention to visit China later this year.

Wen is the first Chinese premier to visit Japan since Zhu Rongji in October 2000. Abe and Wen, who signed two joint statements on environmental conservation and energy cooperation, released a joint press statement after the summit.

Abe started off his meeting with Wen with the remark, "I expect your visit to Japan will serve as a big step forward toward building a strategic, reciprocal relationship between our two countries." In response, Wen said, "I believe that will be the most important achievement in this trip." Abe revealed a plan to visit China later this year and also invited President Hu to visit Japan early next year. Wen replied, "We would like to consider it positively."

Regarding historical views, Wen stated: "Historical issues, if they are settled amicably, could result in a good political foundation for the development of bilateral relations; if handled poorly, they could become an obstacle." Abe replied, "Japan has been following a peaceful path."

On the Taiwan issue, Wen said, "China will not accept an independent Taiwan." In response, Abe said, "We do not take two-China policy or support Taiwan's independence."

The two leaders also agreed that the two countries would jointly develop gas fields in a comparatively broad area of waters in the East China Sea acceptable to the two sides. The next bureau-chief-level talks will be held in May. The two countries will aim at reaching an agreement on joint development by this fall.

On the North Korean nuclear issue, Abe and Wen also agreed that Pyongyang must faithfully implement the initial steps, such as shutting down and sealing its nuclear facilities, as was agreed upon

at the six-party talks in February. Wen announced that China would provide necessary cooperation to Japan for an early settlement of the abduction issue.

5) Japanese, Chinese prime ministers avoid pursuing history issue, confirm cooperation on North Korean nuclear issue, and maneuver on abduction and Taiwan issues

NIHON KEIZAI (Page 2) (Excerpts)

TOKYO 00001605 004 OF 011

April 12, 2007

Quite apart from the peaceful atmosphere at the diplomatic events designed to give the impression of cooperative stances, Prime Minister Shinzo Abe and Chinese Premier Wen Jiabao in their meeting yesterday had penetrating exchanges on pending issues.

Wen broached the intended subject of his conversation, saying:

"If we can deal skillfully with the issue of historical views, that would become a good political base for improving bilateral ties. But if we cannot, the issue will hinder our efforts to move relations forward."

This year marks the 35th anniversary of normalization of diplomatic ties between Japan and China, as well as the 70th anniversary of the Marco Polo Bridge Incident. China therefore is sensitive about the history issue.

The Chinese premier without a doubt had the Yasukuni-Shrine issue in mind. Wen added: "Progress on bilateral relations after Prime Minister Abe visited China compared to twists and turns in the relationship in recent years have proved that." He sought to constrain Abe by referring to the worsening of ties brought on by visits to Yasukuni Shrine by Prime Minister Junichiro Koizumi.

Abe, under advice to "handle the historical issue properly," dodged the remark by responding: "My desire is for Japan to continue moving ahead as a peaceful country; that is my view of history." A joint press statement included the same expression stipulated in last October's press statement that the two countries should face the history issue squarely while looking ahead into the future. Abe and Wen thus avoided pursuing the history issue.

6) Resumption of rice exports to China: Japanese products dependent on Chinese market

TOKYO SHIMBUN (Page 9) (Full)
April 12, 2007

The governments of Japan and China signed an agreement yesterday to resume Japan's exports of rice to China after four years of suspension. Prime Minister Shinzo Abe and visiting Chinese Premier Wen Jiabao confirmed the details of the agreement during their meeting yesterday afternoon. The Japanese government has set forth the goal of increasing exports of agriculture, forestry and fisheries products to one trillion yen by 2013. Rice might become a powerful card for Japan to meet this goal. Farmers across the nation now have growing expectations for the Chinese market with 1.3 billion people.

In China, about 128 million tons of rice is consumed annually, about 15 times more than in Japan. The average price of rice per kiloliter is about 50 yen in China, but the number of those who earn more than 10 million yen annually is now larger there than in Japan, owing to its rapid economic growth. Agriculture, Forestry and Fisheries Minister Toshikatsu Matsuoka emphatically said: "It is significant for Japan to be able to export rice, which is the symbol of Japanese farm products, to China, in which high-end consumers are increasing as its economic level has risen."

Japan's exports of agriculture, forestry and fisheries products in

TOKYO 00001605 005 OF 011

2006 surged to 374.1 billion yen, up 13% over the previous year. In order to attain the goal of one trillion yen, Japan needs to grow exports by 15% every year. Japan's exports of rice to Taiwan, the United States, and Hong Kong have been on the rise, but its scale remains small at 967 tons or 426 million yen. Once Japanese rice attracts Chinese consumers, Japan will be able to sharply boost imports of rice.

The National Federation of Agricultural Cooperative Associations serves as the liaison office for exports. Its official said: "If exports of rice to China go smoothly when domestic production adjustment is underway, farmers will certainly be encouraged. We would like to address the challenge in a positive manner." The association will station an official in charge of rice exports in Beijing starting in mid-April to promote market research and negotiations with China.

The Ministry of Agriculture, Forestry and Fisheries plans to also call on China to import beef, fruits, vegetables and other products from Japan. But in a meeting yesterday, a Chinese official responsible for quarantine asked Matsuoka to lift the embargo imposed on certain products for quarantine reasons, such as fresh chicken, wheat straw for feed, and fresh vegetables. Japan will unavoidably be pressed to open its market to China in exchange for expanding exports to China.

7) Japan-China summit talks

ASAHI (Page 2) (Full)
April 12, 2007

The following is the Japanese government's press briefing on main points from yesterday's Japan-China summit meeting.

Greenhouse effect gas reductions

Prime Minister Abe: It's important to cooperate in building an effective framework for the years from 2013 on. Japan would like to talk with China.

Prime Minister Wen: China supports the Kyoto Protocol but does not accept its indicators. We also want to push ahead with cooperation on climate change.

Historical perception

Wen: The history issue is a matter that concerns the feelings of the people and the political foundation of relations between Japan and China. China is neither being being sticky about the past nor is it playing the history card.

Abe: Japan will move forward as a nation of peace. That's my feeling, and that's the perception of history I hold.

East China Sea development

Abe: It's important to carry out joint development in a comparatively wide range of waters that is acceptable to both Japan and China. Let us make it a symbolic project in the East China Sea for peace, cooperation, and friendship.

Wen: I would like our two countries to agree to carry out joint

TOKYO 00001605 006 OF 011

development.

Abduction issue

Abe: North Korea has not shown an earnest attitude, just taking the position that this problem has already been settled. Japan will continue to work strongly on North Korea, and Japan would like China's continued cooperation.

Wen: I understand the Japanese people's sentiment, and my thoughts are with the Japanese people. We want to offer the necessary

cooperation.

Defense, military affairs

Abe: It's extremely important for us to build confidence. Japan would like to further continue defense exchanges, including the opportunity for the Chinese defense minister to visit Japan by this fall. I also hope to see more transparency in the military area.

Wen: China also would like to welcome the Japanese defense minister's visit to China at an appropriate time. We would like to consider mutual fleet visits as well. China's defense capability will be used only to maintain its national security and unification. It will not threaten any country.

8) Comfort station opened "in accordance with the former Japanese military's orders," according to international court of war crimes' ruling handed down to owner now enshrined at Yasukuni Shrine

TOKYO SHIMBUN (Page 1) (Full)
April 12, 2007

Koki Miura, Berlin

It became known yesterday that a judgment document handed down by an international court of war crimes managed by the Dutch Forces in connection with a Japanese man who had run a commercial comfort station in Japan's occupied Indonesia during World War II -- and later enshrined at Yasukuni Shrine -- indicated that the comfort station had been opened in accordance with the former Japanese Imperial Army's orders. The document also includes a testimony by a woman who was arrested and put in detention by the military police. This testimony is taken as a material showing the Japanese military's "coercion."

The legal document was obtained by free-lance journalist Taichiro Kajimura (60), who lives in Berlin, while researching in a library in the Netherlands. Kajimura will soon publicize the document in a weekly magazine.

In the international court of war crimes, a Japanese man running a commercial comfort station "Sakura Club" in Batavia (currently Jakarta), Indonesia, was charged with coercing women into prostitution. The man was sentenced in October 1946 to 10 years of imprisonment and later died in prison.

The judgment document wrote that the comfort facility was opened "because the defendant was ordered by the Gunseikanbu (meaning the military government staff office, a Japanese term used in the judgment document) on June 2, 1943 to open a brothel." The document indicates that the brothel was opened in line with the military's

TOKYO 00001605 007 OF 011

strong request, noting, "The defendant raised an objection to the first order for him to open a brothel, but he carried out the second order."

The comfort station was operated under the military police's supervision and brought in 20 Western women from internment camps and other locations. According to a testimony in the judgment document, the comfort station offered both prostitution and dining services. Women were initially allowed to choose between those two, but afterwards even minors were forced into prostitution. If they refused to provide sexual services, they were threatened by this phrase, "The military police will come for you." Some women fled from the brothel and were later apprehended and put in detention by the military police. Based on this testimony, the judgment document recognized that "it is certain that most women were forced into prostitution against their will."

9) Kyuma vows efforts for USFJ realignment

NIHON KEIZAI (Page 2) (Full)
April 12, 2007

Defense Minister Fumio Kyuma yesterday met with US Pacific Forces

Commander Keating at the Defense Ministry. Referring to the issue of realigning US forces in Japan, Kyuma clarified that Japan would steadily push ahead with realignment plans. He said, "This is an important issue for the US Pacific forces, too." He also said, "We'd like to make our utmost efforts, so we will deliver on what we promised."

10) Diet committee to vote on US military realignment bill

TOKYO (Page 2) (Full)
April 12, 2007

The House of Representatives Committee on Security Affairs held a meeting of its directors yesterday and decided to wrap up its deliberations today on a government-introduced package of special legislative measures for the planned realignment of US forces in Japan, including a plan to subsidize local governments affected by realignment. The ruling coalition will take a vote after general deliberations. The committee is expected to pass the special legislation with a majority from the ruling Liberal Democratic Party and its coalition partner, the New Komeito. The ruling coalition will take a vote tomorrow on the legislation in a plenary sitting of House of Representatives members to get it through the lower chamber.

11) Japan, US, Australia to hold working-level security talks today in Tokyo

MAINICHI (Page 5) (Full)
April 12, 2007

Japan, the United States, and Australia will hold their first trilateral meeting of working-level foreign affairs and defense officials today in Tokyo. The meeting will be held with the participation of Foreign Ministry North American Affairs Bureau Director General Shinichi Nishimiya, Defense Ministry Defense Policy Bureau Director General Kazuo Ofuru, US Deputy Assistant Secretary of Defense Shinn, and Australian Vice Defense Minister Noble. They will exchange views about the regional security environment, such as

TOKYO 00001605 008 OF 011

the situation in North Korea. In March, Japan and Australia held a meeting of their defense ministers and released a signed joint declaration that incorporated the idea of strengthening trilateral cooperation.

12) Ruling parties to hold vote on national referendum bill today at Lower House special committee

TOKYO SHIMBUN (Page 2) (Full)
April 12, 2007

The Lower House Special Committee on the Constitution in its directors' meeting yesterday discussed a timetable for deliberations on the national referendum bill stipulating the proceedings for constitutional revision. The ruling parties suggested taking a vote on the bill today, but the opposition camp raised an objection. Taro Nakayama of the ruling Liberal Democratic Party (LDP), chair of the committee, exercised his authority and decided to assemble a committee meeting this morning and discuss the major opposition Democratic Party of Japan's (Minshuto) revision bill.

This afternoon after deliberations on Minshuto's revision bill are over, the ruling camp intends to put both the ruling parties' bill and Minshuto's bill to a vote, regardless of Minshuto's response. The ruling parties aim to take a vote on their bill at a Lower House plenary session tomorrow and send it to the Upper House so that the bill will be enacted during the current Diet session.

The ruling parties' secretaries general and Diet policy chiefs met in Tokyo yesterday afternoon and confirmed their plan to take a vote on their bill at a committee meeting today and get the bill approved in the Lower House on April 13. Three opposition parties -- Minshuto, the Social Democratic Party, and the People's New Party -- held a meeting of their Diet policy chiefs yesterday morning and confirmed their policy line of opposing taking a vote in a committee

meeting today.

13) Party-head debate will not take place before April 22, since Minshuto President Ozawa places priority on stumping tour in Fukushima, Okinawa

MAINICHI (Page 5) (Slightly abridged)
April 12, 2007

Chances are that no one-on-one debate between Prime Minister Shinzo Abe and Minshuto (Democratic Party of Japan) President Ichiro Ozawa will take place before April 22, the day of the Upper House by-elections in Fukushima and Okinawa prefectures, the second half of the unified nationwide local elections. The reason is that Ozawa was reluctant to debate since he has been busy with his stumping tour of electoral districts where single seats are up for grabs in the Upper House election this summer. Many in the party are now unhappy with Ozawa's stance, with one junior lawmaker saying, "I want him to show the public his determination to take the lead in election campaigning."

Since April 11 was a Wednesday when party-head debates regularly take place, the ruling Liberal Democratic Party (LDP) called on Minshuto to hold a debate. The main opposition party, however, insisted that intensive deliberations on the issue of politics and money should first be held at the Lower House Budget Committee. An agreement, therefore, was not reached. Under an agreement between

TOKYO 00001605 009 OF 011

the ruling and opposition camps, a party-head debate is not held in the week when a question-and-answer session takes place at the attendance of the prime minister. Therefore, a senior Minshuto member said:

"If we agree to hold a party-head debate, it means that we will allow the LDP to put off an intensive debate questioning the prime minister about Agriculture Minister Toshikatsu Matsuoka's huge utility expenses issue."

Senior members of the two parties' Diet affairs committees carried out coordination last month on a plan to hold a party-head debate on April 4, but Ozawa stated in a press conference on March 23:

"I want to conclude my stumping tour of electoral districts where single seats are up for grabs before the Golden Week holidays from late April to early May. So I would like to hold it at an appropriate time after then."

Minshuto Secretary General Yukio Hatoyama called on Ozawa for an early opening of a debate, but Ozawa told him: "I want you to leave it to me."

Although Minshuto is fighting a defensive battle, a party-head debate is a golden opportunity to demonstrate the political presence of opposition parties. Since Minshuto did not make much effort to make its presence felt with unaffiliated voters in the first-half of the unified nationwide elections, many participants at a study session on April 10 of junior and mid-level lawmakers voiced the view that the party head's political sway was being questioned.

14) Former Justice Minister Nakai found to have made fraudulent political fund report

TOKYO SHIMBUN (Page 2) (Full)
April 12, 2007

Former Justice Minister Hiroshi Nakai (elected in proportional representation to the Lower House) of the opposition Democratic Party of Japan (Minshuto) yesterday revised his political fund reports for 2003 and 2004 and reported on revisions to the Ministry of Internal Affairs as his own fund management organization "Kowakai" recorded other expenses as utility costs. Nakai's office member stressed: "Those reports recorded the usage charge for an official vehicle and other items in the utilities category. This was an error on the part of a bookkeeper. But there was no change in the total amount." Nakai himself is to meet the press today and give an

account of this failure.

Kowakai is located in the Diet Members' Building, where electricity and water expenses are paid by public expense, but it recorded 5.46 million yen in 2003 and 2.36 million yen in 2004 as the utilities costs.

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15) Agriculture Minister Matsuoka's funds management body fails to report details of 86 million yen recorded as social expenses over nine years from 1997

ASAHI (Page 39) (Excerpts)

TOKYO 00001605 010 OF 011

April 12, 2007

The funds management organization of Agriculture, Forestry and Fisheries Minister Matsuoka failed to record the details of a total of about 86 million yen entered in its financial reports as social spending from 1997 through 2005, including for what the money was used. Politicians are required to record the amount of money and the purpose of its use if they declare more than 50,000 yen as social spending in each case. Although large sums of money were recorded as social spending, Matsuoka's office unprecedentedly did not enter the required details in each case. Matsuoka has yet to give an explanation about his questionable office expenses and utility charges.

In the expenditure column in the sheet, there are two categories: ordinary outlays, including office expenses and utility charges, and spending for political activities, including organizational activities costs and election campaign fees.

Under the rules on enforcing the Political Funds Control Law, social expenses are included in the category of activity expenses. If the cost is more than 50,000 yen in each case, it is required to mention such details as the purpose of use, the amount, the date, and the destination in a report, attaching receipts. But regarding what types of expenditures should be classified as social spending, "that determination is entrusted to each group," according to an official of the Internal Affairs and Communications Ministry.

Matsuoka's political fund organization declared as organizational activities costs in its 2005 funds report 21.04 million yen in social spending, 7.92 million yen in organization policy expenses, and 7.52 million yen in public relations fees.

The group entered the details for about 25 cases of organization policy expenses and 34 cases of public relations fees, but regarding social expenses, it recorded no details, entering only the total amount.

16) Economic partnership agreement: CEFP urges launching of Japan-US joint study

NIHON KEIZAI (Page 5) (Full)

April 12, 2007

The Council on Economic and Fiscal Policy (CEFP) yesterday held a working group meeting. Participants agreed that Japan should promptly launch joint studies with the US for the conclusion of a bilateral economic partnership agreement (EPA). The working group will draft an interim report as early as this month and submit it to the CEFP. Since an EPA with the US will necessitate opening the agricultural market, views of government officials are split. However, the CEFP indicating a direction will likely spur discussions in the government.

The CEFP working group yesterday sorted out points at issue for an interim report. The panel pointed out that Japan should first sign a pact with the Association of Southeast Asian Nations (ASEAN) in view of the fact that Japan is lagging behind China and South Korea in signing EPAs with Asian countries. Regarding an EPA with the US,

participants underscored that a Japan-US EPA would lead to strengthened bilateral relations through active trade and investment activities. They also agreed on the perception that it is necessary

TOKYO 00001605 011 OF 011

to set a deadline on negotiations for a speedy conclusion of an EPA with that nation.

Regarding the agricultural area, a fetter to trade talks, a proposal was made for drafting a five-year reform road map to enhance productivity. Participants from MAFF indicated a stance of delving into problems with past policies and compiling specific measures in order to improve productivity as early as this fall. Others said that they had already sorted out points at issue and that the panel is slow in taking action.

17) Triangular merger: Finance Ministry set standards restricting subsidiaries of foreign corporations eligible for tax deferral: Aim is to prevent use of paper companies

ASAHI (Page 10) (Full)
April 12, 2007

A ban on a triangular merger system is to be lifted in May. Following the move, the Finance Ministry has set a guideline for a measure to defer taxation on stockholders of a Japanese company who receive foreign stocks as merger consideration in the event where foreign companies take over Japanese companies using this system. The requirement for being entitled to this guideline is that a Japanese subsidiary of a foreign corporation has business substance, such as employees and an office, in Japan. The aim is to prevent triangular mergers using paper companies. Subsidiaries that are in the process of preparing to launch operations will also be eligible for this regulation, if they have already started sales campaigns, market surveys, etc.

The new guideline will be included in a Finance Ministry ordinance to be released shortly. Requirements to be entitled to tax deferral include that a Japanese subsidiary of an acquiring foreign corporation has (1) employees, permanent executives and an office in Japan and that it is in the same line of business as a company it will absorb is in terms of commodities, services, know-how and targeting customers. Even if a subsidiary has no sales record at the time of the merger, it will be eligible for the regulation, if it is based in Japan firmly enough so that it cannot pull out easily, such as that it has prepared to launch business in Japan, applied for the authorization right of enterprise and registered its intellectual property right.

The removal of the ban on triangular mergers will make it easier for foreign corporations to buy out Japanese companies in the form of having its Japanese subsidiary take over a Japanese company. An acquiring foreign corporation transfers its stocks to stockholders of a targeted Japanese company as merger compensation.

In this case, if it is judged that capital gains have occurred at the stage of stockholders of the Japanese company giving away stocks of the disappearing company, and such gains are regarded as subject to taxation, the stockholders will need cash to pay the tax. European and US business circles have called for a tax deferral measure, under which taxation is deferred until stockholders actually give away their stocks.

DONOVAN